

I. SUMMARY

This report is a brief overview of the Colombian Market for the Software Industry. The software sector in Colombia has great potential due to the small number of producing companies in the market, which cannot satisfy the demand of the different sectors in the economy. Software sales have increased during the last few years on an average that fluctuates between 10 percent and 15 percent, with growth for the 1995-2005 decade predicted at 645 percent. Software revenue in Colombia is now running at the equivalent of almost 1.9% of the GDP.

The United States accounts for the largest percentage of the Colombian Software import market. During 2003, the U.S. average annual share of these imports was 67.4 percent. Germany was the second largest exporter of Software to Colombia 5.0 percent annual average share followed by Mexico with 4.1 percent, the United Kingdom with 3.5 percent and Canada with 2.5 percent.

There are very positive signs that lead to optimism about the recovery of the Colombian economy that was affected by a significant recession during 1999-2002. GDP increased by 3.6 percent during 2003 and is expected to grow by 4.1 percent during the current year. The security and economic plans of the government have fostered the investor's confidence and most economic indicators show positive results. Other reasons for optimism are the Free Trade Agreement (FTA) that Colombia is negotiating with the United States and the negotiations with Mercosur that would lead to a total integration of Latin America and a very significant expansion of the markets for those sectors in which Colombia is competitive (Software is one of them).

The piracy rate in Colombia is 52 percent affecting the industry. During 2001-2003 the average imports decrease 14.8 percent from US\$20.5 14.5 million to US\$14.5 million. Eventhough Colombia is cooperating in the fight against piracy, the sector has experienced difficulties generating losses of US\$24 million. During the same period the sector has experienced a decrease in its exports of 18.6 percent falling from US\$12.4 million to US\$8.1 million in 2003 as a result of the difficult economic conditions that Venezuela, the main Colombian trade partner after the United States, is confronting.

There are about 800 firms that develop Software in the Colombia that generate over 13,000 direct and three times as much indirect employment. The total production of the Colombian Software industry averaged over of US \$626 million during the last few years. Although the great majority of the Colombian Software firms are small, most of them have over 20 permanent employees.

There are six very active associations (the Colombian Federation of the Software Industry – FEDESOFTEC; the Colombian Association of Computer Science Engineers – ACIS; the Colombian Chamber of Informatics and Telecommunications – CCIT; the Center of Support of Information Technology – CATI; the Research Center of the Telecommunications; the Network of Engineering of the Colombian Software) this associations work to promote the local production and marketing and that promote the expansion and technical modernization of the industry. These organizations could be very useful for U.S. firms wishing to strengthen its ties with the Colombian Software sector or establish a foothold in this market.

The Colombian Software industry is a good market for U.S. firms due to the importance of the Software sector for the Colombian economy, the large number of industries the sector can serve, their interest in keeping up-to-date with the technical developments in the sector, and the significant number of businessmen that attend the most important international Software events.

As the fourth most significant and dynamic information technology (IT) market in Latin America, Colombia offers significant opportunities for U.S. suppliers of Software products and services.

Colombians have a high regard and strong preference for U.S. technologies and will buy from U.S. companies that can offer competitive prices.

II. MARKET OVERVIEW

The growth rate of IT in the global market is around 10 percent and the growth of Latin America is 3 percent. Nevertheless, in Colombia the expected growth is between 5 percent and 10 percent for 2004. It is important to establish that not only has the market expanded due to the growing informatics-telecommunications interdependency, but also because of other coexisting reasons, playing in an aggressive environment and a constantly changing environment, technology improvements and cultural changes. Finally, the introduction of the Internet opens business opportunities through electronic commerce.

The Colombian informatics technology industry is characterized as having a high innovation content, acceleration and diversification.

Important multinationals are present in the areas of communication networks, computing equipment and software development in the country, such as IBM and Hewlett Packard, among others. The market segments that show the most movements are the ones for big clients, and specialized software.

In spite of the fact that one of the biggest problems in Colombia that the software industry faces is piracy, the National Office of Authors' Copyrights has reinforced control to prevent it. These actions are based on Colombian legislation, which demands that companies present the software licenses that they use in their management reports.

The information technologies sector (IT) was the most dynamic of the economy in the last decade, and the software segment is one of its leaders. This sub-sector, software packaging industry created numerous work places and managerial opportunities in Colombia.

Estimated growth of the software packaging industry in Latin America is 18 percent per year from 1998 until 2004. However, expected growth from the industry for coming years is only approximately 10 percent.

The Colombian national software industry is characterized by three principal aspects: to distribute and commercialize the world's main brands; to produce, on a limited basis, product packages and services oriented to the local market; and, to develop packages that meet specific client needs.

Local software production is one of the most promising sub-sectors in the Colombian IT sector. An increasing number of local companies, about 800, have consolidated and developed special skills in response to the software demand of the country. Furthermore, the imported software requires some adjustments to meet local needs that often the exporting companies are not able to fulfill. Also, the imported software usually comes in a foreign language and it is necessary to translate it. In response to the above situation multinational companies contract local consulting companies to customized the software according to the specific needs like taxes and regulations.

The estimated number of software developers in Colombia is about 800. These companies are mainly located in the biggest cities such as Bogotá, Medellín, Cali and Barranquilla, with an average number of 20 employees per company.

A state entity, Colciencias (Colombian Institute for the Advancement of Science), develops some programs oriented to develop local software companies. Also, The National System of Science

and Technology, and Innovation Centers promote some government initiatives focused on software research programs.

Most of the production in this sector satisfies only the local demand. The large number of software companies indicates that there is a significant foreign competition for this market. Also, the companies find many obstacles to compete like ignorance of new foreign markets, high costs to enter new markets, nonexistence lines of credit and fiscal incentives for exporters.

The largest producers of software are Productora de Software Ltda, Energy Computer Graphics Ltd, MECOsoft, MACSI and OPEN Systems, among others.

Most of the important large, medium, and small software firms in Colombia are members of different professional associations. Software companies, members of these associations, represent the bulk of the production. There is a brief description of these organizations and contact information in sections VI and IX of this report.

III. MARKET TRENDS

Colombia has the largest population in the Andean Community, ranking third in Latin America after Brazil and Mexico. The current population of 44 million is composed primarily of young people, with 78% of the population under age 45. Colombia is highly urbanized. Three of its cities have more than two million inhabitants. There are another 11 cities with populations exceeding 500,000 and 22 cities with more than 100,000 inhabitants. This distribution of the population creates diversified market and investment opportunities.

Despite all its security problems, Colombia continues consolidating its economic reactivation process. During 2000-2002, the Colombia GDP annual growth averaged 1.9 percent. In 2003, the GDP increased by 3.6 percent and it is expected to grow by 4.1 percent during the current year.

Colombia has been engaged in an ambitious internationalization process that includes an opening of the economy and the negotiation of several major integration agreements that will give the country access to a market of over 1.1 billion people. These agreements create an export platform that provides Colombia an easy access to U.S., Europe and Latin America markets.

Colombia is the fourth largest U.S. market in the region, after Mexico, Brazil and Chile. U.S. exports approach \$4 billion annually, with more than \$8 billion in U.S. direct foreign investment.

In the last few years the local software industry has developed and managed to produce important applications for the management and educational sectors of the country. In addition to this, the vast majority of local institutions and private companies have updated and improved their technology resources.

Colombian government has been working to promote this sector, reducing taxes like VAT taxes on computer purchases, campaigns against piracy, and the launch of some initiatives like the Connectivity Agenda, which constitutes a policy to increase massively the use of information technologies in the country.

Government software bills are directed to strengthen the sector through incentives on private investment. Among the benefits and incentives for investment, is the new Tax Reform Law (Law 788 of 2002), the exemption of tax on the revenue is outlined, for those companies that register new medical products and software that contains high value for national scientific investigation.

Also, several software production companies are obtaining internationally approved quality certificates like ISO 9000 in order to enter new markets and be more competitive.

The country's geographical location, its market size, its regional leadership, and its commercial agreements are key factors that facilitate operations for foreign IT companies in the region. In many cases, several multinational companies have settled its operations in Colombia to develop their Andean businesses, some examples are companies like Sun Microsystems, Hewlett Packard, Alcatel and Avaya.

The software industry in Colombia by year 2005 will support an average growth rate of 7.7 percent, a rate that can translate in generating 95,380 new jobs in Colombia.

With the economic opening, government entities and private companies initiated a modernization process and developed the National Software Industry. Even though it attracted foreign investment, this sector requires higher levels of research and technological development to produce knowledge and solutions according to the universal needs that arise in the current environment.

During 1995-2001, the software sector added approximately US\$626 million income to the economy, and created 13,000 jobs. Unfortunately, the piracy index is 52 percent affecting the sector expansion; more than half of the programs installed in the country are illegal. The industry loses more than US\$ 24 billion. Every year, the Colombian government loses more than US\$ 88 million in fiscal contributions and the opportunity of generating about 18,000 new jobs.

There is a general optimism for the behavior of the Colombian economy during 2004. Other reason for optimism during 2004-2005 is the negotiations between the Andean Community (ANCOM) and MERCOSUR countries to integrate these two economic groups. This agreement will procure a total integration of Latin America. Furthermore, in May 2004, the United States and Colombia began bilateral negotiations towards a free trade agreement within the frame of the Free Trade Area of the Americas (FTAA).

IV. IMPORTS AND EXPORTS

During 2003, Colombian software exports reached US\$8.1 million, representing an average annual decrease during the 2000-2003 period of 18.6 percent, dropping from US\$12.4 million in 2001 to US\$8.1 million in 2003. Compared to the previous year, the same behavior was observed decreasing by 23.3 percent because during 2001, the registered exports were US\$10.5 million. This decrease has been generated primarily by the fall in exports to Venezuela (-69 percent). The economic and political difficulties that Venezuela is confronting have affected the expected growth of this industry. Colombia hopes that the dynamism shown by the bilateral trade with the United States as a result of ATPDEA, increasing sales to Andean and other Latin American countries, will offset the reduction in exports of PGA products to Venezuela and imports will recover.

Main destinations for Colombian exports are: Mexico with an equivalent participation of 25 percent (US\$2.0 million), followed by Ecuador with 20 percent (US\$1.6 million), The Dominican Republic with 9 percent (US\$711,365), Costa Rica with 7 percent (US\$531,295) and Venezuela with 6 percent (US\$503,168). These five countries represent 67 percent of exports. Countries like Chile, Bolivia, Panama, Peru, the United States, Honduras and El Salvador compose the remaining 33 percent.

Imports presented the same trend as exports, decreasing 14.8 percent annually on average during 2001-2003, decreasing from US\$20.5 million during 2000 to US\$14.5 million in 2003. During 2002, registered imports were US\$19.8 million, US\$5.2 million more than during 2003.

The most import suppliers are the United States with 67.4 percent participation (US\$ 9.8 million), followed by Germany with 5.0 percent (US\$ 733,722), Mexico with 4.1 percent (US\$595,525), The United Kingdom with 3.5 percent (US\$505,518) and Canada with 2.5 percent (US\$361,342); countries that together represented 82.5 percent of the import market.

As has been observed, the United States is the main supplier, with 67 percent of the market, a position gained due to the quality of its products, post sale service and prices that, in most cases, are accessible for Colombian enterprises. In spite of the diminishing trend of recent years, US imports are expected to remain stable.

V. COMPETITION

The United States continues to be the main supplier of software to Colombia. Foreign companies have a strong presence in the Colombian market. These companies include Microsoft, which has an approximately 30 percent market share, followed by IBM of Colombia S.A. with 20 percent, Oracle with 12 percent, Sun Microsystems with 10 percent and Novell with 10 percent; representing 82 percent of the market. The remaining 18 percent pertains to companies like Novell, Lotus, Cognos, and Business Objectives, among others.

These multinationals are well established in the country, and they possess computer managing technology experience. Although they have their own products, they focus on massive software applications.

The price depends on the platforms provided by the software companies; prices are based on number of licenses needed for solution (number of users), the size of company and/or complexity of the application. For small companies the basic price ranges from US\$600 dollars to US\$1,000 dollars for business management, sales and accounting applications. Other applications, for each company such as accounting, processes, logistics and planning ranges between US\$2,000 dollars and US\$10,000 dollars; and solutions named "one of a kind" could range between US\$ 50.000 dollars and US\$1 million dollars.

Colombia has approximately 800 local companies in the industry, some of which are already positioned in international markets as service suppliers and software developers to meet the necessities of multinationals, and small and medium-sized companies.

Among the Colombian companies that stand out in the market as software developers are:

Productora de Software Ltda. (PSL): Provides bank systems and accounting software. They are software developers and programmers under the model of "Software without Frontiers." The software of PSL integrates different areas like finance, accounting, distribution and human resources.

Intergrupo: It has consolidated as one of the leading technology consultancy companies in the Colombian market with annual sales of over US\$ 8 million. Microsoft as its principal business associate in Colombia, for being the number one partner in licensed sales during the fiscal years 2001-2003, has recognized Intergrupo.

B2b Solutions Group (former Casa Informatica) is focused on developing and complementing e-

business software applications. Their primary goal is to leverage existing and new technologies (Web Enabled) through process automation, human resource collaboration, productivity optimization and customer care. In 2003 the company achieved the IBM Top contributor award as the Primary WebSphere Software vendor in Colombia. Other business fields include business intelligence applications, customer, supplier and employee portals, retail management and manufacturing solutions.

Heinsonhn Software House: It is a Colombian computer company established in 1977 as a pioneer and leader in the development and implementation of application software, as well as offering related services. Nowadays Heinsonhn has about 230 personnel and offers solutions for the Administrative and Financial Management, Administration of Investment Portfolios, Pension funds, as well as Tailor Made Software.

Digital Ware: It works with open systems and top technology, developing business solutions over the Internet, administrative, financial, commercial systems, of manufacturing, human resources systems and modeling companies through flow processes. Their products were launched to perform the companies' internal management and they have been called outsourcing solutions and ASPs (Application Service Providers).

Latin-American Software Company "LASC": Supplier of information technology solutions for financial institutions and services. Over more than two decades LASC has evolved with the computer science and banking sectors to always offer their clients top technology solutions that respond to the competitive challenges of the moment. Over the years, LASC has developed projects of great importance for some of the most important banks in Colombia, Venezuela, Ecuador, The Dominican Republic, Panama and El Salvador. LASC offers its clients transactional switches solutions and authorization (S2 Systems); audio response solutions and voice portals (Interinvoice Inc); personal and corporate banking, payments solutions and management collection for multiple channels, device networks (Excelec); electronic presentation solutions for invoices, image storage and management (Insci); complete solutions for bank branches automation of and automatic test systems (Paragon).

Energy Computer Graphics Ltd: It is an international company located in Bogota that develops telephone software, cable and television systems.

MECOsoft: It is a company located in Medellin that has expanded throughout South America. It has developed more than 40 software products. The company not only works with clients to develop products, but also works with other software and hardware companies to produce final integrated products.

Computec: It is a company specializing in administrative information services and risk, commercial communication, databases, credit card administration and outsourcing.

Also in the market are companies such as: Digidata, 2W Ltda, ADA Computadora Ltda, AISOF Ltda, Alcuadrado S.A., Antares Tecnologia Ltda., Aprendizahaciendo S.A., Atama S.A., Baseware Ltda, Centro de Computación Compucentro Colombia, Centro de Procesamiento Contable 'Procecon S.A., CNT Sistemas de Información Ltda., Colombia.Net, among others.

VI. END USERS

In general, the foreign companies supply large enterprises, and massive software for home users. Local developers serve small and medium size companies according to their needs. Companies

demand administrative and accounting software the most.

Software sold in Colombia can be classified into two groups: Specialized Software and Massive Software. The specialized software applications are made to meet user needs, specially directed to the financial sector, health sector, and public and private services. Massive software has applications directed to a less specialized segment; the demand of these applications is focused in education.

Financial sector express interest in software applications related to internal operations, accounts management, access identification with smart cards, and customer services over the Internet. Some of the banks that are presently using some of these software applications are: Bancolombia, Lloyds Bank, Bancafe, BBVA Banco Ganadero, and Banco Santander. Still, this sector needs to improve their inter-bank, and customer services.

Health sector demands software applications to control patients' medical history, human resources, accounting, management, inventory and logistics, applications. Interested buyers are government and private institutions.

Service public and private sector- demand data mining software applications to control population and administrative variables. Some of the companies that have implemented these applications are Telephone Company of Bogotá (ETB), Comcel, and Bellsouth. Within this sector the most demanded software is for billing and statistical measurements.

Educational sector is centered on learning programs at all educational levels. Most private schools are familiar with software applications and the public schools are on the process of digitalization after some government initiatives.

Microsoft products and applications have the highest demand and recognition among all the population. During the last year few years the applications most applied are Word, Excel and PowerPoint; followed by Access and Foxpro,

VII. SALES PROSPECTS

As a result of the 1999-2002 economic slowdown and the better economic forecast for 2003, which indicates a low inflation rate and increased economic growth, Colombian manufacturing and service enterprises have a significant need for software solutions that will help them reduce costs, retain clients, and increase profits through automation of their operations.

The software packages that will continue to be in the highest demand in Colombia are those for customer relationship management (CRM), supply chain management (SCM), business intelligence (BI), database management, electronic document management (EDM), and enterprise resources planning (ERP).

Public and private sector have engaged in a large number of ongoing modernization programs with a great need for software applications to interconnect servers as well as to integrate front and back offices. Currently, the major markets for software applications are telecommunications, energy, transportation, agribusiness, education, financial services, industry, and healthcare.

Below is a partial list of those categories that offer the best prospects for sales of U.S.

Colombian Harmonized Tariff Schedule	Description
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85.24.51.10.00	Other magnetic tapes of low or equal width to 4 mm. for education.
85.24.31.00.00	System discs for reading laser beams, to reproduce phenomena different from sounds or images.
85.24.91.00.00	Other discs and supports to reproduce phenomena different from sounds or images.
85.24.53.10.00	Other magnetic tapes with a width superior to 6.5 mm., for education.
85.24.52.10.00	Other magnetic tapes with a width superior to 4 mm. but lower or equal to 6.5 mm., for education.
85.24.10.10.00	Record player discs, for education.
85.24.60.00.00	Magnetic built-in strip cards.
85.24.40.00.00	Magnetic tapes to reproduce phenomena different from sounds or images.

VIII. MARKET ACCESS

The Andean Community Commission, in agreement with Decision 507, established the import duty of the Andean Nomenclature NANDINA, from January 1, 2002, which is the common tariff nomenclature used by the member countries of the Andean Community of Nations (CAN).

The in force customs rights within Colombian Custom Taxes were established on January 1, 2002, by Decree N ° 2800 of December 20, 2001.

The tariff positions analyzed in this study, for the nominal duty that applies to the different products is 15 percent. Next appears the scale of duty that The United States would pay for each of the products, where the duty is lower, since the Colombian software industry is not very strong, and it is seeking to facilitate the import of this type of goods.

	General Duty (tariff)	United States Duty (tariff)
85.24.51.10.00	15%	5%
85.24.31.00.00	15%	5%
85.24.91.00.00	15%	5%
85.24.53.10.00	15%	5%
85.24.52.10.00	15%	5%
85.24.10.10.00	15%	5%
85.24.60.00.00	15%	5%
85.24.40.00.00	10%	5%

Source: Andean Community

The Department of Trade, Industry and Tourism is working to diversify exports. (Goods and services), as is a Presidential initiative, " The Connectivity Agenda, " which aims to encourage the massive use of IT to support growth and an increase in competitiveness. It is committed to obtain opportunities to promote the development of the software industry. The vision of The Connectivity Agenda is for Colombia to become, by 2010.

In Colombia there are no software import regulations. It is possible to handle it as a good or as a service. In the case of a good, a VAT of 16 percent must be paid; if it is considered a service, then a 3 percent tax (retention tax) must be paid. The normal process of nationalization of the goods takes place.

In general, all imports must be registered with the Colombian Ministry of Foreign Trade (Ministerio de Comercio Exterior - MINCOMEX) using a form known as "Registro de Importación". Colombian imports are classified into three groups: items that can be freely imported into the country, those requiring approval of a previous import license, and those that cannot be imported. Most products including equipment, raw materials, and consumer goods are on the "free" list and their importation is approved automatically upon presentation of the "Registro de Importacion."

Colombian import duties are divided into four categories: (1) zero percent for primary goods, inputs and capital goods not produced in the country; (2) 5 and 10 percent for the same categories of products manufactured in country; (3) 15 and 20 percent for final consumer goods.

Most imports and sales within Colombian territory are subject to a 16 percent value added tax (VAT). This tax is assessed on the CIF value (in pesos) plus the import tariff (when applicable). The cost of imported items is made higher once import duties and VAT taxes are paid. As a general rule, imports conducted by government entities do not pay import duties but are subject to the sales tax.

The following example illustrates how a 20 percent duty affects the original price of an imported product:

1.	FOB purchase price	\$ 100.00
2.	Insurance and freight cost	\$ 20.00
3.	CIF price	\$120.00
4.	20% duty of the CIF price	\$ 24.00
5.	16% VAT (IVA)	\$ 23.04
6.	TOTAL IMPORTER'S COST	\$167.04

Colombia has negotiated trade agreements with other Latin American and Caribbean countries. It has a comprehensive free trade agreement with Mexico and Venezuela known as the G-3, agreement under which most tariffs are to be reduced to zero by the 2007.

Under the ANCOM (Andean Community Free Trade Agreement with Bolivia, Colombia, Ecuador, Peru, and Venezuela), the signatory countries are obliged to assign a common external tariff (CET) for imports coming from third countries (including the United States) and, at the same time, eliminate duties for products manufactured and imported from within the region. Colombia also has a partial free trade agreement with Chile that gradually eliminates tariff and non-tariff barriers.

In December 2003, Colombia, Ecuador, and Venezuela, three of the five countries of the Community of Andean Nations (CAN) and the four members of the Southern Common Market - Mercosur (Argentina, Brazil, Paraguay and Uruguay) reached an agreement to integrate these two economic groups. This agreement will procure a total Latin American economic integration. Peru and Bolivia, the other two ANCOM members did not sign the preliminary agreement, because Peru is already carrying a commercial agreement with MERCOSUR and Bolivia has a preferential status under which it can access the benefits offered by MERCOSUR. Chile has negotiated bi-lateral agreements with the other ANCOM and MERCOSUR countries.

Under the new agreement all signatory countries commit to identify the products and set the time limits in which import tariffs will be eliminated. Every country will request, from each one of the others, immediate elimination of import duties for a given list of products. The treaty will also allow a tariff exemption for other products in timeframes that go from zero to 15 years. The negotiators have scheduled to meet during the last week of April 2004 for final discussions on the different list

of products and the timeframes. The Presidents of the member countries will meet in Quito, on July 1, 2004 for the signature of the final agreement. It is expected that at least one of the member countries (Argentina) will include the PGA sector within the list of products for immediate elimination of import duties.

Different duties may apply to a given product depending on whether it comes from the Andean Community, G-3 countries, from Chile, from the various Latin American Integration Agreement (LAIA) countries, from the Caribbean Community (Caricom) countries, or from "third countries".

To obtain easier access to the Colombian market, it is essential for U.S. companies to appoint a local representative or distributor who can establish personal contacts that tend to foster confidence in a firm's ability to supply the needed inventory, warranty, and after-sales servicing. Government entities must follow the provisions of Law 80 of October 31, 1993 which regulate purchases made and contracts entered into by government entities and state industrial and commercial enterprises. Colombian government contracting agencies must select contractors through a public competitive bidding process. There are a few exceptions to this rule, which are clearly established in Article 24 of Law 80. On September 30, 2002 to ensure transparency during the purchase processes, the government issued Decree 2170 that modifies and complements Law 80.

Foreign individuals not domiciled in Colombia or foreign private legal entities without a branch in Colombia must appoint an agent or legal representative, domiciled in Colombia, which is duly authorized to bid on and execute the contracts as well as to represent the foreign enterprise in and out of court.

All individuals and legal entities wishing to enter into contracts with state entities must register with the chamber of commerce in their jurisdiction in order to be qualified, classified, and rated in accordance with the provisions of Law 80. Foreign bidders and/or suppliers of equipment and services are also required to register with a Colombian Chamber of Commerce under the so-called "Registro Unico de Proponentes/RUE" (Bidders Register). In most instances, they must be pre-classified and pre-qualified by the chamber and, in some cases, by the Colombian government-contracting agency.

U.S. companies bidding on major government, or even private sector, projects/procurement and those entering into joint ventures or other long-term contractual arrangements should seek legal advice.

Payment terms are negotiable between vendor and purchaser. Most imports of equipment are paid via irrevocable letters of credit (L/C), payable on sight against shipping documents. The L/C replaces the exporters' credit risks with that of the issuing bank. The normal payment term for local purchases is 30 calendar days. There are cases in which suppliers may extend terms to 90-120 days, but this is not common practice. Short-term is considered any term less than one year; medium-term is from one to three years, and long-term ranges from five years up to twenty years or more.

Non-traditional project financing schemes such as supplier credits are readily available from foreign suppliers. Leasing, domestic and international (both operating and capital) financing are becoming popular, mainly because of the tax benefit it provides. Factoring is also available as well as international credit insurance. Transactional financing is more associated to consumer goods trade, while equity-based financing is more commonly used for project financing. The foreign trade bank (BANCOLDEX) provides funds for working capital and equipment purchases dedicated to the production of exported goods. BANCOLDEX also provides discount loan rates to foreign importers of Colombian goods.

American exporters may consider contacting the Export-Import Bank (Eximbank) as a potential financing source for private sector buyers. Short-medium-and long-term programs of the Eximbank are active in Colombia. More information is available at www.exim.gov

On October 21, 1995, President Clinton signed Executive Order 12978 entitled "Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers", which blocks all property subject to U.S. jurisdiction in which there is any interest of four principal members of the Cali drug cartel. In addition, the order blocks the property and interest in property of persons determined to play a significant role in international narcotics trafficking centered in Colombia or determined to materially assist in or provide financial or technological support for, or goods or services in support of, the narcotics trafficking activities of persons designated in the Order. It is illegal for U.S. persons to buy, sell, trade, give away or otherwise engage in transactions involving persons and companies designated pursuant to the Order, who are referred to as SDNT's (Specially Designated Narcotics Traffickers). A list of the names of such persons and companies is available from the Office of Foreign Assets Control/OFAC, Department of the Treasury, Washington, D.C. 27220, Tel:(202) 622-2520, or via Internet <http://www.ustreas.gov/treasury/services/fac/fac.html>, or from the Political/Economic Section of the American Embassy in Bogota, Tel: (571) 315-2129.

IX. KEY CONTACTS

The following are the main Colombian associations related to the PGA industry. These entities are excellent multipliers for any kind of promotion related to selling products and services to the industry. U.S. software companies wishing to promote their products and services in Colombia are encourage to contact the following associations:.

COINVERTIR-Corporación Invertir en Colombia-
President: Enrique Umana
Address: Carrera 7 No. 71-52 Torre A Office 702
Bogota, D.C. Colombia
Phone: (571) 312-0312
Fax: (571) 312-0318
E-mail: info@coinvertir.org
Web: www.coinvertir.org

Federación Colombiana de la Industria del Software (FEDESOFTE)
President: Carlos E. Santanilla
Address: Calle 125 No. 32-58 Interior 12 Piso 2
Bogota, D.C. Colombia
Phone: (571) 601-0818
Fax: (571) 213-8127
E-mail: info@fedesoft.org
Web: www.fedesoft.org

Cámara Colombiana de Informática y Telecomunicaciones (CCIT)
President: Ramiro Valencia Cossio
Address: Carrera 11 A No. 93-67 Office 401
Bogota, D.C. Colombia
Phone: (571) 621-2443
Fax: (571) 621-2335
E-mail: presidencia@ccit.org.co
Web: www.ccit.org.co

Centro de Apoyo de la Tecnología Informática (CATI)

Director: Luis Eduardo Valdes Cardenas

Address: Calle 125 No. 32-58 Interior 12 Piso 2

Bogota, D.C. Colombia

Phone: (571) 601-1829

Fax: (571) 213-8127

E-mail: director@cati.org.co

Web: www.cati.org.co

Centro de Investigaciones de las Telecomunicaciones

President: Manuel Martinez Nino

Address: Calle 121 No. 15 A – 23 Office 102

Bogota, D.C. Colombia

Phone: (571) 629-7811

Fax: (571) 637-9242

E-mail: mmartinez@cintel.org.co

Web: www.cintel.org.co

Asociación Colombiana de Ingenieros de Sistemas

President: Carlos Ardila Arenas

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Bogota, D.C. Colombia

Phone: (571) 635-0743

Fax: (571) 616-1407

E-mail: bcaicedo@acis.org.co

Web: www.acis.org.co

Agenda de Conectividad

Director: Hernan Moreno Escobar

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Phone: (571) 344-2270

Fax: (571) 344-2248

E-mail: agenda@agenda.gov.co

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Comisión de Regulación de Telecomunicaciones (CRT)

Director: Mauricio Lopez Calderon

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X. UPCOMING TRADE SHOWS

The Commercial Service of the U.S. Department of Commerce organizes international buyers groups to attend selected U.S. trade shows. This is a cost-effective way of promoting U.S. products to international buyers, as it affords them the opportunity to contact firms and make comparisons without having to travel throughout the entire United States. CS Bogota is promoting the following trade shows in the United States:

LOCAL TRADE SHOWS

CS in Bogota also offers a number of services for U.S. companies seeking business opportunities in Colombia. Services available are Trade Missions, Catalog Shows, the Video Gold Key Matching Service, Gold Key Service (allows U.S. firm to have a schedule of appointments with potential representatives prior to arrival); and Single Company Promotions. For detailed information on these services please visit our web site: www.buyusa.gov/colombia/en

Direct Import Costs

The costs that must be taken into consideration for software imports are the same as those for any product (Duty, Freights and VAT). It is important to emphasize that when the software is considered a good it is necessary to pay a VAT of 16 percent, whereas if it is considered a service, it is necessary to pay a tax (retention tax) of 3 percent.

Mailing address from the United States:

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